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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

DOUG LITTLE – INTERIM CHAIRMAN
BOB STUMP
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TOM FORESE

2016 JAN 27 P 4:23
AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
KACY J. PARKER D/B/A JAKE'S CORNER
WATER SYSTEMS FOR APPROVAL OF THE
SALE OF ITS ASSETS AND TRANSFER OF
ITS CERTIFICATE OF CONVENIENCE AND
NECESSITY TO MANAGEMENT SYSTEMS,
LLC.

DOCKET NO. W-04249A-15-0260
DOCKET NO. W-20935A-15-0260

**NOTICE OF FILING
AMENDED STAFF REPORT AND
ENGINEERING REPORT**

The hearing in the above-captioned matter was held on January 22, 2016. The Commission's Utilities Division ("Staff") testified at the hearing that Staff is agreeable to revising Staff's recommendation concerning the filing of a water system evaluation report. This particular Staff recommendation appeared in:

- a. Paragraph 5 of the Executive Summary to the Staff Report filed on December 28, 2015 (the "December 28 Staff Report").
- b. Paragraph 5, page 4 of the December 28 Staff Report; and
- c. Paragraph 4 of Exhibit 3 to the December 28 Staff Report.

Attached hereto, as Attachment A, are an amended Staff Report and Engineering Report, marked as Exhibit 3. Paragraph 5 of the Executive Summary, Paragraph 5 of the Staff Report, and Paragraph 4 of the Engineering Report are revised to reflect Staff's revision to its recommended manner of filing the water system evaluation report pursuant to an agreement among Staff and the Applicant and the Administrative Law Judge's direction to refile an amended report reflecting such changes.

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Arizona Corporation Commission

DOCKETED

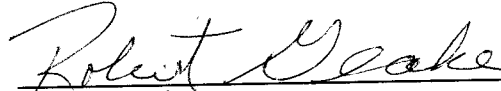
JAN 27 2016

DOCKETED BY

YH

1 Except for the revisions to paragraphs 4 and 5, as described above, the December 28 Staff
2 report is unchanged by today's filing.

3 RESPECTFULLY SUBMITTED this 27th day of January, 2016.

4
5 

6 Robert Geake
7 Attorney, Legal Division
8 Arizona Corporation Commission
9 1200 West Washington Street
10 Phoenix, Arizona 85007
11 (602) 542-3402

9 **ORIGINAL** and thirteen (13) copies of the
10 foregoing filed this 27th day of January, 2016,
11 with:

11 Docket Control
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007

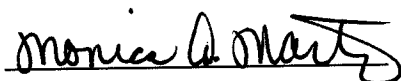
14 **COPIES** of the foregoing eMailed this
15 27th day of January, 2016, to:

16 Michael Armstead
17 211 W Saddle Lane
18 Payson, Arizona 85541
19 ymepayson@msn.com

18 **COPIES** of the foregoing mailed this
19 27th day of January, 2016, to:

20 Dean Shaffer
21 605 W Arabian Way
22 Payson, Arizona 85541

22 Kacy Parker
23 dba Jake's Corner Water System
24 1400 N. Beeline Hwy
25 Payson, Arizona 85541-3103

25 
26

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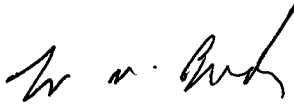
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ATTACHMENT A

MEMORANDUM

TO: Docket Control Center

FROM: Thomas M. Broderick
Director
Utilities Division



DATE: January 27, 2016

RE: **AMENDED STAFF REPORT** – IN THE MATTER OF THE APPLICATION
OF KACY J. PARKER DBA JAKE'S CORNER WATER SYSTEMS FOR
APPROVAL OF THE SALE OF ITS ASSETS AND TRANSFER OF ITS
CERTIFICATE OF CONVENIENCE AND NECESSITY TO MANAGEMENT
SYSTEMS, LLC (DOCKET NOS. W-04249A-15-0260 AND W-20935A-15-0260)

Attached is the Amended Staff Report for the above-referenced application. Staff is recommending approval of the application with conditions.

TMB:VW:red\RWG

Originator: Vicki Wallace

Service List for: Kacy Parker dba Jakes Corner Water Systems
Docket Nos. W-04249A-15-0260 and W-20935A-15-0260

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Chief, Legal Division
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Mr. Dwight Nodes
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
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**AMENDED STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**KACY J. PARKER DBA JAKE'S CORNER WATER SYSTEMS
DOCKET NO. W-04249A-15-0260**

**MANAGEMENT SYSTEMS, LLC DBA JAKE'S CORNER WATER SYSTEM
DOCKET NO. W-20935A-15-0260**

**SALE OF ITS ASSETS AND TRANSFER OF ITS CERTIFICATE OF CONVENIENCE
OF CONVENIENCE AND NECESSITY TO MANAGEMENT SYSTEMS, LLC**

JANUARY 27, 2016

STAFF ACKNOWLEDGEMENT

The Staff Report for the application of Kacy J. Parker dba Jake's Corner Water Systems and Management Systems, LLC dba Jake's Corner Water System (Docket Nos. W-04249A-15-0260 and W-20935A-15-0260) was the responsibility of the Staff members listed below. Vicki Wallace was responsible for the review and analyses of the Company's application and preparation of the Division's Staff Report, and Katrin Stukov was responsible for the engineering and technical analysis.



Vicki Wallace
Executive Consultant



Katrin Stukov
Utilities Engineer

AMENDED EXECUTIVE SUMMARY
KACY J. PARKER DBA JAKE'S CORNER WATER SYSTEMS
AND MANAGEMENT SYSTEMS, LLC DBA JAKES CORNER WATER SYSTEM
DOCKET NOS. W-04249A-15-0260 AND W-20935A-15-0260

On July 10, 2015, Kacy J. Parker dba Jake's Corner Water Systems ("Jake's Corner" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of its Certificate of Convenience and Necessity ("CC&N") to Management Systems, LLC dba Jake's Corner Water System ("Management Systems").

Jake's Corner is a sole proprietorship initially authorized to provide water service to certain portions of Gila County pursuant to authority granted by the ACC in Decision No. 50872 (April 22, 1980). In that Decision, the Commission authorized the transfer of the system from United Utilities, an Arizona Corporation, to Gladys Meredith Stern dba Jake's Corner.

In Decision No. 62221 (January 10, 2000), the Commission authorized the sale and transfer of Jake's Corner from Arthur W. Wetzler to Edwin L. Wetzler. Jake's Corner was subsequently transferred to Kacy J. Parker by Edwin L. Wetzler via Decision No. 67231 (September 7, 2004). By this application, the Company seeks approval of the sale of assets and transfer of its CC&N from Kacy J. Parker dba Jake's Corner Water Systems to Management Systems, LLC dba Jake's Corner Water System.

The Company is currently providing service to approximately 20 customers in an area located near the community known as Jake's Corner, approximately 18 miles south of Payson in Gila County, Arizona. The CC&N covers approximately 160 acres (approximately 0.25 square mile). Staff's legal description and map of the service area is attached as Exhibit 1.

Staff concludes that Management Systems, LLC, dba Jake's Corner Water System is a fit and proper entity to own and operate a public utility water system, and the sale and transfer is in the public interest.

Staff recommends that the Commission approve the sale and transfer of assets and Certificate of Convenience and Necessity of Kacy J. Parker dba Jake's Corner Water Systems to Management Systems, LLC dba Jake's Corner Water System. Staff further recommends the Commission adopt the following requirements:

1. To require the Company to charge its existing rates and charges in the proposed extension area until new rates are authorized by the ACC.
2. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from Arizona Department of Environmental Quality ("ADEQ") indicating that there are no compliance deficiencies, and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, or in the alternative, the Company may

file a signed consent agreement with ADEQ demonstrating a plan to reach compliance.

3. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from Arizona Department of Water Resources ("ADWR") indicating that the water system is compliant with departmental requirements governing water providers and/or community water systems.
4. To require the Company to coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed in a format necessary to accurately complete the water use data sheets contained in the Annual Report form).
5. To require the Company to file with Docket Control within thirty days of the effective date of an order in this proceeding, as a compliance item in this docket, an affidavit affirming that the Company obtained, and provided to Staff a copy of a Jake's Corner water system evaluation report (dated December 2015) prepared by KUV Consultants, L.L.C.
6. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, a copy of the ADEQ Approval of Construction for the new storage tank with a minimum capacity of 5,000 gallons.

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INTRODUCTION

On July 10, 2015, Kacy J. Parker dba Jake's Corner Water Systems ("Jake's Corner" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale of its assets and transfer of the Certificate of Convenience and Necessity ("CC&N") to Management Systems, LLC dba Jake's Corner Water System ("Management Systems").

After Staff's initial review and discussion, the ACC Utilities Division Staff ("Staff") filed an Insufficiency Letter on August 10, 2015, indicating that additional information was required. Jake's Corner provided the requested data, and a Sufficiency Letter was filed on October 28, 2015, indicating that the Company's application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.") R14-2-402.

On December 1, 2015, a Procedural Order was issued setting the matter for hearing on January 22, 2016.

BACKGROUND

Jake's Corner is a sole proprietorship authorized to provide water service to certain portions of Gila County pursuant to authority granted by the ACC in Decision No. 50872 (April 22, 1980). In that Decision, the Commission authorized the transfer of the system from United Utilities, an Arizona Corporation, to Gladys Meredith Stern dba Jake's Corner.

In Decision No. 62221 (January 10, 2000), the Commission authorized the sale and transfer of Jake's Corner from Arthur W. Wetzler to Edwin L. Wetzler. In that Decision, the Commission found in part that it was not necessary for Mr. Wetzler to obtain a county franchise because the service area is located in a private easement. Jake's Corner was subsequently transferred to Kacy J. Parker by Edwin L. Wetzler via Decision No. 67231 (September 7, 2004). By this application, the Company seeks approval of the sale of assets and transfer its CC&N from Kacy J. Parker to Management Systems, LLC dba Jake's Corner Water System.

The Company is currently providing service to approximately 20 customers in an area located near the community known as Jake's Corner, approximately 18 miles south of Payson in Gila County, Arizona. The CC&N covers approximately 160 acres (approximately 0.25 square mile). Staff's legal description and map of the service area is attached as Exhibit 1.

The applicant reports there are no refund obligations associated with customer deposits or main line extension agreements, and no other utility will be affected by this transaction. Additionally, the applicant is not aware of any judgments/liens against any of the entities involved in this transfer of assets and CC&N.

MANAGEMENT SYSTEMS, LLC (TRANSFeree)

On July 1, 2015, Kacy J. Parker dba Jake's Corner Water Systems ("Seller") and Michael Armstead of Management Systems, LLC ("Buyer") entered into an agreement through a "Bill of Sale of Personal Property" before a Notary which is attached as Exhibit 2. The Bill of Sale officially sold and transferred all of the assets of Jake's Corner and the CC&N to Michael Armstead pending approval by the ACC. Mr. Armstead will operate the utility company as Management Systems, LLC dba Jake's Corner Water System. Management Systems, LLC is in good standing with the Corporations Division.

Mr. Armstead has had 9 years of technical and operational experience in the water and wastewater utilities. He has performed a wide range of duties associated with the delivery of water and wastewater from source to customer. Mr. Armstead has also obtained a Certified Operator for Jake's Corner and has filed an emergency rate case with the ACC based on his review of the water system.

THE EXISTING WATER SYSTEM

Staff's Engineering Report which is attached as Exhibit 3 describes the existing water system in detail. Basically it has one well, one 30 gallon bladder tank, one 5,000 gallon pressure tank, and a distribution system. However, there is no well meter. Therefore, the actual well production is unknown, and the system's capacity cannot be determined. Based on the Company's water use data, Staff estimates that the well capacity of 22 GPM could adequately service the present customer base and a reasonable level of growth. However, the system lacks adequate storage capacity to serve the existing customer base as described further in Exhibit 3.

PROPOSED RATES

The Company has indicated the proposed service area would be charged at its currently approved tariffed rates and charges established in Decision No. 58733 issued September 1, 1994. An emergency rate case was filed on September 28, 2015. Staff filed testimony in this emergency rate case on November 16, 2015, and the hearing was held on December 7, 2015.

CONSUMER SERVICES

A review of the Consumer Services database revealed that in the last three years, no complaints have been received. Any prior complaints have been resolved and closed. No opinions opposing this application have been received.

PUBLIC INTEREST

Mr. Armstead has expressed a sincere desire and willingness to provide continuous and quality water to the customers of Jake's Corner, and his enthusiasm to assist these customers is welcomed. As discussed earlier in this report, Staff concludes that Mr. Armstead of Management Systems, LLC dba Jake's Water System has the financial, technical, and managerial ability to operate

a public utility water system, and that the sale and transfer would be consistent with the public interest.

WASTEWATER PROVIDER

Wastewater service in this service area is provided through individual septic systems designed within each residence and permitted at the time of construction of the individual residence.

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

According to an ADEQ compliance status report, dated July 22, 2015, the Company has unresolved ongoing arsenic exceedances, monitoring and reporting deficiencies. Based upon these deficiencies, ADEQ cannot determine if the Company system is currently delivering water that meets water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4.

Staff understands that Mr. Armstead has been meeting with ADEQ regarding compliance matters on Jake's Corner.

ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company's water system is not located in ADWR Active Management Area. According to an ADWR compliance status report dated July 23, 2015, ADWR has determined that the Company's water system is not in compliance with ADWR requirements, as the Company failed to file its Annual reports and the System Water Plan.

ACC COMPLIANCE

A check of the Utilities Division Compliance Database indicates that there are currently no ACC delinquencies for Jake's Corner at this time.

CURTAILMENT AND BACKFLOW PREVENTION TARIFFS

The Company has an approved Curtailment Tariff. The Company filed for ACC approval of a Backflow Prevention Tariff on December 2, 2015.

RECOMMENDATIONS

Staff recommends that the Commission approve the sale and transfer of assets and Certificate of Convenience and Necessity of Kacy J. Parker dba Jake's Corner Water Systems to Management Systems, LLC dba Jake's Corner Water System. Staff further recommends the Commission adopt the following requirements:

1. To require the Company to charge its existing rates and charges in the proposed extension area until new rates are authorized by the ACC.
2. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADEQ indicating that there are no compliance deficiencies, and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, or in the alternative, the Company may file a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
3. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/or community water systems.
4. To require the Company to coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed in a format necessary to accurately complete the water use data sheets contained in the Annual Report form).
5. To require the Company to file with Docket Control within thirty days of the effective date of an order in this proceeding, as a compliance item in this docket, an affidavit affirming that the Company obtained, and provided to Staff a copy of a Jake's Corner water system evaluation report (dated December 2015) prepared by KUV Consultants, L.L.C.
6. To require the Company to file with Docket Control, as a compliance item in this docket by December 31, 2016, a copy of the ADEQ Approval of Construction for the new storage tank with a minimum capacity of 5,000 gallons.

MEMORANDUM

TO: Vicki Wallace
Executive Consultant
Utilities Division

FROM: Katrin Stukov
Utilities Engineer *DS*
Utilities Division *for*

DATE: January 27, 2016

RE: Amended Jakes Corner Water Systems (Application for approval of the sale of assets and transfer of the Certificate of Convenience and Necessity)
Docket No. W-20935A-15-0260 et.al.

Introduction

On July 10, 2015, Kacy J. Parker dba Jakes Corner Water Systems ("Jakes Corner" or "Company") filed with the Arizona Corporation Commission ("ACC") an application for approval of the sale of assets and transfer of the Certificate of Convenience and Necessity ("CC&N") to Management Systems, LLC.

The Company is providing service to approximately 20 customers in an area located near the community known as Jakes Corner, south of Payson in Gila County. The CC&N area covers approximately 160 acres (approximately 0.25 square mile).

Water System¹*Operation*

The Company's water system includes one well with estimated pump yield of 22-28 gallon per minute ("GPM"), one 30 gallons bladder tank, one 5,000 gallon pressure tank and a distribution system. There is no well meter.

Capacity

Since there is no well meter, the actual well production is unknown and the system's capacity cannot be determined. Based on the Company's 2014 water use data, the Company reported the peak use month as August with 163,917 gallons sold. Using the water use data, Staff estimates that with one well, operating at previous reported level, the well capacity of 22 GPM could adequately serve the present customer base and a reasonable level of growth. However, the system lacks adequate storage capacity to serve the existing customer base. Based on the Company's 2014 water

¹ Per the Company's responses to Staff's Insufficiency letter

use data and the capacity analyses, a minimum of 5,000 gallons of storage is required on this system (with a single source) to meet seasonal peak demand.

Arizona Department of Environmental Quality ("ADEQ") Compliance

According to an ADEQ compliance status report, dated July 22, 2015, the Company has unresolved ongoing arsenic exceedances, monitoring and reporting deficiencies. Based upon these deficiencies, ADEQ cannot determine if the Company system is currently delivering water that meets water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and Arizona Administrative Code ("A.A.C."), Title 18, Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

The Company's water system is not located in ADWR Active Management Area. According to an ADWR compliance status report dated July 23, 2015, ADWR has determined that the Company's water system is not in compliance with ADWR requirements, as the Company failed to file its Annual reports and the System Water Plan.

ACC Compliance

On August 26, 2015, the Utilities Division Compliance Section noted that a check of the compliance database indicates that there are currently no delinquent compliance items for the Company.

Curtailment Tariff

The Company has an approved Curtailment Tariff.

Backflow Prevention Tariff

The Company filed a Backflow Prevention Tariff on December 2, 2015.

Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADEQ indicating that there are no compliance deficiencies and the Company's water system is delivering water that meets the water quality standards required by 40 C.F.R. 14 (National Primary Drinking Water Regulations) and A.A.C., Title 18, Chapter 4, or in the alternative the Company shall file a signed consent agreement with ADEQ demonstrating a plan to reach compliance.
2. Staff recommends that the Company file with Docket Control, as a compliance item in this docket by December 31, 2016, documentation from ADWR indicating that the water system is compliant with departmental requirements governing water providers and/ or community water systems.

3. Staff recommends that the Company coordinate the reading of its well meter and individual customer meters on a monthly basis and report this data in its Commission Annual Reports going forward (the Company shall collect the data needed to accurately complete the water use data sheets contained in the Annual Report form).
4. Staff recommends that the Company file with Docket Control within thirty days of the effective date of an order in this proceeding, as a compliance item in this docket, an affidavit affirming that the Company obtained, and provided to Staff a copy of a Jake's Corner water system evaluation report (dated December 2015) prepared by KUV Consultants, L.L.C.
5. Staff recommends that the Company file with Docket Control as a compliance item in this docket by December 31, 2016, a copy of the ADEQ Approval of Construction for the new storage tank with a minimum capacity of 5,000 gallons.